

## Message Text

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13

ACTION EA-07

INFO OCT-01 ISO-00 EB-05 DRC-01 RSC-01 /015 W

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R 240930Z JAN 74

FM AMEMBASSY JAKARTA

TO USDOC WASHDC

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UNCLAS JAKARTA 1030

FOR ATKINS, MAJOR EXPORT PROJECTS DIVISION

EO 11652: N/A

TAGS: BEXP BGEN ID

SUBJ: MTO:KRAKATAU STEEL-HOT STRIP MILL

REF: A. JAKARTA 14852 B. JAKARTA 0851

1. EMBASSY NEEDS KNOW WHAT PROGRESS BEING MADE BY KOPPERS, MCKEE, AND ARMCO TOWARD DELIVERY PROPOSAL TO KRAKATAU FOR HOT STRIP MILL PURSUANT PARAGRAPH 7 REF A. ARMCO'S LETTER OUTLINING THE TRAINING AND TECHNICAL ASSISTANCE PROPOSAL (REF B) THEY PLAN SUBMIT TO KRAKATAU FAILED TO MENTION HOT STRIP MILL PROPOSAL, AND A JANUARY 15 LETTER FROM G COX SUGGESTS KOPPERS UNAWARE OF ARMCO PLANS. EMBASSY BELIEVES SUCH PROPOSAL SHOULD BE SUBMITTED ASAP FOR OBVIOUS REASONS THAT A. IBNU SPECIFICALLY DIRECTED THE GROUP'S ATTENTION TO THE HOT STRIP MILL, B. IT IS POTENTIALLY MORE LUCRATIVE THAN TECHNICAL ASSISTANCE SERVICES CONTRACT, AND C. MARJOENI HAS SAID HE IS EXPECTING THE GROUP TO SUBMIT SUCH A PROPOSAL LATE THIS MONTH. FURTHERMORE, ON JANUARY 2 A CRYPTIC ANNOUNCEMENT APPEARED IN PRESS HERE DATE LINED TOKYO SAYING THAT JAPAN'S OVERSEAS ECONOMIC COOPERATION IS PROGRAMMING AN INVESTMENT BY NIPPON STEEL, MITSUI, AND MARUBENI OF ONE BILLION DOLLARS OVER THE NEXT DECADE IN THE INDONESIAN STEEL WORKS. THE ARTICLE SAYS THAT THE INVESTMENT WILL RESULT IN FULLY INTEGRATED PLANT CAPABLE OF PRODUCING 4 MILLION TONS OF STEEL ANNUALLY. WHILE IT IS NOT UNUSUAL FOR THE JAPANESE TO ANNOUNCE GRANDiose INVESTMENT PLANS FOR INDONESIA LONG BEFORE ACTUALLY SECURING

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INDONESIAN ACCEPTANCE, SUCH PLANS, THIS ANNOUNCEMENT CLEARLY

INDICATES THAT THE INDONESIANS WILL NOT HAVE TO GO BEGGING TO  
FIND SOMEONE TO BUILD THE HOT STRIP MILL IF A TIMELY RESPONSE IS  
NOT FORTHCOMING FROM THE AMERICAN GROUP. IT ALSO SUGGESTS  
THAT THE JAPANESE HAVE THE IMPRESSION THAT A VERY SIZABLE PORTION OF  
THE TOTAL PROJECT IS STILL OPEN TO BIDDING AND THAT NOW IS THE TIME  
TO OFFER AS BROAD A PROPOSAL AS POSSIBLE.

MEDP PLEASE MAKE CONTACTS WITH THE AMERICAN STEEL  
TEAM, DRAW UP ON ABOVE POINTS AS APROPRIATE AND REPORT STATUS  
OF HOT STRIP PROPOSAL TO EMBASSY.  
GALBRAITH

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